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## **Annual report of the Executive Director**

### *Summary*

In 2015, UNOPS delivered a range of projects in peacebuilding, humanitarian and development contexts on behalf of its partners. Through more than 1,000 projects in over 80 countries, UNOPS dedicated itself to helping people in need, often in the most challenging environments. In 2015, UNOPS delivery was \$1.4 billion, compared to \$1.2 billion in 2014.

The change was mainly attributable to increased demand for UNOPS support to health work in Myanmar and globally through the Stop TB Partnership; continued demand for peacebuilding support throughout Africa; and humanitarian response activities in the Middle East.

Highlights of results completed on behalf of partners included the construction, design or rehabilitation of 2,572 kilometers of road, 46 schools, 25 hospitals, 2 airstrips and 2 ports. In 2015, 29 per cent of UNOPS-supported projects provided employment for local people during the course of project implementation. More than 2.2 million days of paid work for local people were created in 2015, and UNOPS procured more than \$717 million worth of goods and services for its partners. These included almost 39,000 units of machinery and equipment as well as more than 6,200 vehicles. More than 40 million medical supplies were handled (including the distribution of almost 3 million mosquito nets) and over 240 million doses of medicine were procured or distributed.

The organization continued to improve the way it operates, remain financially solid and experience record demand for its services.

### *Elements of a decision*

The Executive Board may wish to take note of (a) UNOPS contributions to the operational results of the United Nations and its partners in 2015, through technical expertise and cost-effective management and support services; (b) the efforts made to enhance and report on UNOPS contributions to partners' sustainable results, including the pursuit of best practices and recognized standards; (c) the progress in implementing the UNOPS strategic plan, 2014-2017, which has established strong foundations for UNOPS to support Member States in implementing the 2030 Agenda for Sustainable Development; and (d) the progress made in advancing the potential for facilitating partnerships for social impact investments in UNOPS mandated areas.



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## **I. Introduction**

1. The Executive Director is pleased to inform the Executive Board of the progress made during 2015 in implementing the UNOPS strategic plan, 2014-2017. In 2015, UNOPS supported its partners in delivering tangible benefits to people in need. In doing so, it brought international standards of efficiency, effectiveness and transparency to its partners' operations, contributing to sustainable development around the world.

## **II. Results framework**

2. The UNOPS mandate was established by the General Assembly in resolution 65/176. The Executive Board approved the UNOPS strategic plan, 2014-2017, in its decision 2013/23. The Board welcomed the enhanced focus of UNOPS services to partners, and the emphasis on sustainability, national ownership and capacity development.

3. UNOPS supports partners' peacebuilding, humanitarian and development objectives. It contributes to the operational results of partners through three sustainable focus areas: project management, infrastructure, and procurement.

4. The UNOPS strategic plan, 2014-2017, defines the results framework used in this report. In 2015, over 1,000 projects were assessed using this approach. Details of the reporting methodology are outlined in annex IV.

## **III. Operational results**

### **A. Highlights of results achieved for partners**

5. In 2015, UNOPS constructed, designed, or rehabilitated 38 bridges, 2,572 kilometres of road, 2 airstrips and 2 ports (compared with 175 bridges, 4,577 kilometres of road, 2 airstrips and 1 helipad in 2014). UNOPS managed the construction, design or rehabilitation of 25 hospitals, 105 health clinics, 13 specialist health facilities, 3 medical warehouses 46 schools and 2 university facilities. In 2014, the numbers included 14 hospitals, 4 clinics, 18 health posts, 7 specialist health facilities, 30 schools and 1 university.

6. In 2015, 4 prisons and 17 detention centres were constructed, designed or renovated, in addition to 6 courthouses and 2 customs and border facilities. In 2014, UNOPS constructed, designed or renovated 11 prisons, 11 courthouses and 6 customs and border facilities.

7. In 2015, 29 per cent of UNOPS-supported projects provided employment for local people during the course of project implementation. More than 2.2 million days of paid work for local people were created, most of them generated as part of the infrastructure projects.

8. UNOPS supported the mine-clearance work of the United Nations Mine Action Service (UNMAS) and its partners in 17 countries and territories in 2015. It provided human resources management, procurement, contracting, grants management, technical and operational support, and financial and legal services.

9. UNOPS procured more than \$717 million worth of goods and services for its partners, partly within wider implementation services and partly as direct transactional support.

10. Almost 39,000 units of machinery or equipment were procured by UNOPS for its partners in 2015. Over 6,200 vehicles were procured or distributed (compared to

5,500 in 2014). More than 40 million medical supplies were handled, including the distribution of nearly 10 million condoms, over 10 million needles, and almost 3 million mosquito nets. Over 240 million doses of medicine were procured or distributed.

11. UNOPS helped partners develop local capacity by supporting the training of more than 62,000 individuals, including in health, project management and improved sanitation (compared to 84,000 people in 2014). That total includes almost 7,000 people provided with vocational training in Côte d'Ivoire, as part of a disarmament, demobilization and reintegration project.

12. UNOPS helped partners organize 236 events and outreach activities in 2015 (compared to 684 the previous year), and provided logistical support to 1,461 missions.

13. UNOPS administered or monitored 873 grants (compared with 565 in 2014) to fund various types of projects, in addition to over 4,000 UNDP-Global Environment Facility small grants in more than 120 countries.

14. UNOPS provided a range of support services for the United Nations. For example, UNOPS constructed, designed or renovated seven United Nations facilities including offices, warehouses and accommodation, compared to 15 in 2014. It also provided common procurement services, such as procuring almost \$60 million worth of goods through 'UN Web Buy' (compared with \$62 million in 2014).

15. UNOPS provided over 37,000 days of technical assistance and advice for capacity development in infrastructure, procurement and project management to its partners (72 per cent in technical assistance and 28 per cent in technical advice), up from 31,000 the previous year.

16. UNOPS organizes its work around three focus areas: project management, infrastructure, and procurement. In 2015, 43 per cent of delivery was attributable to project management and 23 per cent to infrastructure, and while most of the procurement activities took place as part of project management and infrastructure projects, stand-alone procurement represented 35 per cent of total UNOPS delivery.

## **B. Project management services**

17. UNOPS provides a wide range of sustainable project management services, from programme and project management to dedicated operational support functions.

18. In 2015, 43 per cent of UNOPS delivery was associated with the UNOPS focus area of project management. The bulk of this took the form of project support services, including managing human resources contracts, as well as grant administration and other financial management services.

19. UNOPS provides a range of technical assistance to its partners. In 2015, this included 2,272 days in Myanmar for the Department of Rural Development, developing and piloting a new village planning process to be rolled out across the country. In cooperation with the United Nations Environment Programme (UNEP), 220 days of technical assistance were provided to the Ministry of Mining in the province of San Juan, Argentina, where UNOPS conducted an independent audit of four mining projects in the province to determine the level of environmental performance and legal compliance of companies working on them. In Afghanistan, UNOPS provided 261 days of technical assistance to the Civil Aviation Authority, including a range of activities designed to meet International Civil Aviation Organization regulations.

20. Through support to 10 missions throughout Africa, UNOPS contributed to the peacebuilding work of the United Nations Department of Peacekeeping Operations (DPKO) and the Department of Political Affairs. In 2015, for example, this included issuing personnel contracts and payments for 1,487 people with the United Nations Stabilization Mission in the Democratic Republic of the Congo.

21. UNOPS is working with the Office of Political Affairs of the United Nations Assistance Mission for Iraq, and with the Iraqi Government and Council of Representatives, to support the drafting and adoption of key legislation that promotes national coexistence and dialogue. With support from the governments of Germany and the Netherlands, UNOPS organized a series of legislative drafting workshops for Iraqi Members of Parliament, including a recent initiative that brought experts on reconciliation from Egypt, South Africa, and the United Kingdom of Great Britain and Northern Ireland to Baghdad to provide input to their Iraqi counterparts.

#### **Box 1. Working together to rebuild infrastructure in Gaza**

A key element of the rebuilding efforts in Gaza is the materials monitoring unit project implemented by UNOPS, which allows much-needed materials to enter the territory for large-scale reconstruction, supporting essential housing and shelter needs for Palestinians.

The Gaza Reconstruction Mechanism is a temporary agreement between the State of Palestine and Israel, under the administration of the United Nations. The project tracks the supply and utilization of 'dual-use' materials using an online information management system, teams of engineers, quantity surveyors, and stock monitors.

In 2015, the unit conducted 36,961 monitoring activities. Those visits have generated sufficient confidence in the mechanism to allow more than one million tonnes of construction materials to enter Gaza since September 2014. More than 700 construction and infrastructure projects have been registered through the mechanism and, due to its transparent and scalable nature, the average amount of time for Israeli approval of such projects has decreased from 19 months to 36 days. Private-sector engagement has improved, so that whereas fewer than 50 contractors were active in Gaza in 2007, 248 are operating under the mechanism. It remains an effective political means of providing construction materials to the people of Gaza: more than 100,000 beneficiaries have been assisted in purchasing material to repair their shelters and homes since 2014.

22. In 2015, in partnership with the United Nations Children's Fund, UNOPS trained 588 health-care workers in Kenya. Training was given to nurses and clinical officers, as well as to community health extension workers and community volunteers. The programme aims to reduce maternal and neonatal deaths by increasing the demand for maternal services through a community health awareness strategy, and to improve the quality of services provided. In 2015, UNOPS conducted assessments of 68 health facilities in advance of infrastructure upgrades for the next phase of the project, and will be conducting an audit of 150 more in an effort to provide them with sustainable energy solutions.

23. In Guinea, UNOPS is working with the Ministry of Environment, Water and Forests, with funding from the European Union, to develop the operational capacity of park rangers in national parks and nature reserves. In 2015, 320 park rangers were trained in anti-poaching techniques. Two ranger camps were rehabilitated and fitted with electricity and water facilities, providing accommodation for 250 park rangers.

24. In China, in an effort to increase food safety awareness, UNOPS provided 140 days of technical assistance to the upcoming Asia-Pacific Agricultural and Food Safety Industrial Development Zone in the northeast of the country. The project

seeks to support the upgrading of agricultural and food industries in the region using a range of techniques, including capacity-building and facilitating public-private partnerships.

25. Through the 'Future Cities Africa' project, funded by Department for International Development of the United Kingdom, the UNOPS-hosted Cities Alliance partnered with national ministries and local governments in Ethiopia, Ghana, Mozambique and Uganda in 2015. The project produced a series of 'Rapid City Resilient Assessments', developing and implementing a participatory process to better interpret climate change, environment, and natural resource risks to inclusive growth and poverty reduction across 21 cities in four countries.

26. Over 3,400 people were engaged through the UNOPS human resources centre in Bangkok to support projects across more than 46 countries around the world – in Africa, America, Europe, and Asia and the Pacific – for partners such as the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Office for Disaster Risk Reduction, UN-Habitat and the International Organization for Migration.

27. In 2015, UNOPS supported mine-action, humanitarian, stabilization and explosive management activities, capacity enhancement of national actors and United Nations missions, and the weapons and ammunition management work of UNMAS and partners in 17 countries and territories. It provided human resources management, procurement, contracting, grants management, technical and operational support, and financial and legal services. For approximately \$210 million, UNOPS helped its main partner, UNMAS, deliver a range of results, including:

- (a) In Afghanistan, 6,546 anti-personnel mines, 546 anti-tank mines and 265,689 explosive remnants of war were destroyed. Over 250,000 women were provided with mine risk education across the country;
- (b) In Gaza, 24 deeply buried airdropped munitions were cleared, 174 suspected hazardous sites were investigated, and 101 hazardous sites with a high likelihood of buried air-dropped munitions were confirmed as requiring clearance;
- (c) In Somalia, an 86-member explosive ordnance disposal unit of the police force – trained, equipped and mentored by UNMAS – responds daily to emergency callouts and reports of improvised explosive devices and explosive remnants of war in four locations;
- (d) In Mali, 32,500 pieces of obsolete and unserviceable ammunition were destroyed, and training was provided to 1,700 Malian defence and security forces, 10,461 peacekeeping mission personnel and 72,271 civilians;
- (e) In South Sudan, 3,008 kilometres of routes were surveyed and cleared of explosive remnants of war, and mine risk education was provided to 170,762 boys, 145,563 girls, 98,006 men and 104,440 women – the highest numbers recorded since 2004;
- (f) In the Central African Republic, 2,800 explosive and ammunition items were neutralized in urban areas, 6 tons of explosives and ammunition were assessed and cleared from an ex-combatant camp, and 13 tons of commercial explosives were burned;
- (g) In the Democratic Republic of the Congo, UNMAS utilized a variety of channels, such as local radio broadcasts, public events and leaflet distribution, to reach 138,510 beneficiaries with risk-education messages through 3,201 activities in 2015;
- (h) In Darfur, nearly 2 million expired small-arms ammunition rounds and 2,050 items of unexploded ordnance were destroyed;

- (i) In Libya, 99 people – including community volunteers, boys and girls scouts, teachers and local non-governmental organizations from western, eastern and southern regions – received training in conducting community-based mine risk sessions;
- (j) In Western Sahara, 215 personnel attached to the United Nations Mission for the Referendum in Western Sahara received safety training on landmines and explosive remnants of war, and 136 kilometres of United Nations military observer patrol routes were verified;
- (k) In Côte d'Ivoire, 15 armories were rehabilitated and nearly 97 tons of unserviceable ammunition was destroyed; and
- (l) In Abeyi, over 590,000 square metres of land were released to the community. Non-technical surveys were conducted in 77 communities to identify possible, leading to the removal and destruction of 2,988 explosive remnants of war, six landmines, and over 3,500 rounds of small-arms ammunition.

### **C. Infrastructure services**

28. UNOPS provides a wide variety of infrastructure services. These are based on a combination of partners' demands and the ability of UNOPS to deliver appropriate technical solutions throughout the design, construction, maintenance, operations, retrofitting, refurbishment and decommissioning phases.

29. In 2015, 23 per cent of UNOPS delivery was associated with infrastructure, 41 per cent of which covered services related to buildings, while 23 per cent covered services related to transportation infrastructure. In addition, UNOPS provided infrastructure services in water and waste management, as well as in disaster risk reduction, recovery and resilience.

30. On behalf of the South Sudan Common Humanitarian Fund, UNOPS planned, designed and rehabilitated Rubkona Airstrip in Unity State, South Sudan. The rehabilitation and extension of the airstrip was ranked as the top 2015 infrastructure priority in the country by the World Food Programme-led Logistics Cluster, and serves as the primary source of access to over 100,000 internally displaced persons. By providing more reliable access, especially during the rainy season, the project contributed to improved cost-effectiveness and efficiency in the delivery of life-saving humanitarian supplies.

31. With funding from the Saudi Humanitarian Fund, and in cooperation with the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), UNOPS installed 280 solar streetlights in 19 camps for internally displaced persons residing in settlements, camps and host communities in Northern Iraq in 2015. Lighting systems were installed at women's clinics, secondary schools, primary schools, health centres and a registration centre, ensuring access to sustainable lighting to promote public safety and reduce the operational costs of each camp. UNOPS also distributed more than 125,000 solar-powered lantern- and mobile phone-charging kits to families across Iraq, working with local firms for installation and distribution, supporting local economies and benefiting host communities.

**Box 2. Supporting peacebuilding efforts in the Syrian Arab Republic**

The conflict in Syria now spans half a decade, and the humanitarian situation in the country continues to deteriorate. The conflict has been the scene of the use of chemical weapons, siege and starvation as a tool of war, unlawful detention, torture, and the indiscriminate and criminal shelling and aerial bombardment of civilians. Over 200,000 people have been killed and over one million injured.

Twelve United Nations organizations and hundreds of national and international non-governmental organizations are providing protection services and humanitarian assistance, implementing a wide range of programs across affected sectors and regions.

Since October 2014, UNOPS has provided operational support to the Organization for the Prohibition of Chemical Weapons in the Syrian Arab Republic, following completion of the Joint Mission of its Organization with the United Nations. In 2015, UNOPS helped the Organization continue its internationally mandated work in the country, contributing to the destruction of 11 out of 12 declared chemical weapons production facilities.

In the absence of a viable peace, the situation is expected to deteriorate and require even more sustained humanitarian support.

32. In transportation infrastructure, UNOPS constructed, designed and rehabilitated 125 kilometres of road in South Sudan in 2015. This included the construction of main access and internal camp roads in and around Ajuong Thok Refugee Camp, home to over 30,000 refugees from Sudan. With funding from UNHCR and the United Nations Central Emergency Response Fund, new roads have facilitated access to refugees, improved security, increased enrolment in schools, and improved access to markets and health facilities.

**Box 3. Better health-care centres in Guinea**

In 2014 and 2015, Guinea battled one of the worst outbreaks of Ebola in its history, which is now under control. To contribute to this effort, UNOPS rehabilitated and renovated 41 health-care centres across the country.

On behalf of the Government of Guinea, UNOPS undertook technical and financial evaluations as well as procurement activities. Each centre was individually assessed, and existing infrastructure was overhauled and rehabilitated to make the facilities accessible and safe, improving working conditions for health workers and access to care for Guineans.

The UNOPS team selected, trained and supervised 23 local companies, five of which are managed by women, to complete the rehabilitation works. Training sessions were organized to build capacities of about 50 national construction companies in procurement and contract management. The project created 4,000 days of paid work for local people.

33. In 2015, UNOPS provided 3,200 days of technical assistance in El Salvador. This included 1,553 days for UNDP to evaluate the technical designs of roads and bridges to improve key infrastructure and reduce vulnerability to flooding, erosion and landslides caused by the extreme precipitation associated with climate change.

34. In 2015, in partnership with the Government of Maldives and UNDP, UNOPS completed the construction of integrated water resource management systems on three Maldivian islands in an effort to mitigate the effects of climate change. Using solar energy, the initiative combines rainwater collection with seawater desalinization, reducing costs and dependency on fuel. The systems contribute to building more resilient communities and provide over 8,000 island inhabitants with year-round access to safe drinking water. UNOPS was responsible for the planning, design and construction of the facilities, and trained local utility suppliers in operating and maintaining the new systems.

35. In cooperation with the Government of Japan, UNOPS planned, designed and implemented the emergency rehabilitation of five schools and one health facility in North Darfur, Sudan, damaged during heavy rains in 2013. In 2015, UNOPS implemented a project using sustainable disaster risk reduction mitigation measures to reconstruct selected schools and clinics by providing enhanced flood protection works. The buildings were redesigned and rehabilitated in alignment with the long-term development plans of the North Darfur state government.

36. In 2015, on behalf of the Government of Nicaragua, UNOPS provided 332 days of technical advisory services for the construction of the largest hospital in the country, as well as the procurement of necessary equipment. UNOPS also provided 228 days of project management advisory services to support the daily administration and technical management of project implementation. In an example of South-South cooperation, the Governments of Mexico and Nicaragua co-funded the project.

37. UNOPS supported the United Nations Office on Drugs and Crime and its efforts in combatting maritime piracy in the Gulf of Aden in 2015. As part of those efforts, UNOPS planned, designed and initiated the construction of the Mogadishu Prison and Court Complex in Somalia. Further work was conducted on Garowe Prison in the Puntland region in north-eastern Somalia, increasing security and improving the provision of water supplies.

38. In 2015, UNOPS supported the Government of Serbia in its efforts to restore the living and working conditions of municipalities affected by the May 2014 floods. With funding from the United Kingdom, UNOPS reconstructed 24 priority structures on the embankments of the Kolubara, Pestan, Lukavica and Turija rivers. The work will ultimately protect an estimated 58,622 citizens of the Lazarevac Municipality from future flooding, help secure approximately 23,222 hectares of agricultural land, and protect some 2,316 agricultural producers, 576 small and medium-sized businesses, and 1,715 entrepreneurs, from future flooding.

#### **Box 4. Improving homes and home-related skills for families in Colombia**

Throughout 2015, UNOPS improved housing conditions in Chocó, Bolívar, Atlántico and Magdalena on behalf of the Government of Colombia, Department of Social Prosperity. The project drove interventions in housing, infrastructure and community social work, teaching sanitary, health and nutrition-related skills to 1,853 families across 17 municipalities, and designed, constructed or rehabilitated the same number of houses. The project reached 10,992 individuals and created 370 direct jobs and 2,200 indirect jobs, boosting employment and a sense of community in the municipalities.

Home improvements helped participants meet minimum housing conditions related to water, sanitation, architectural spaces, lighting and ventilation. The project also addressed the well-being of senior citizens, children under five years old, pregnant women, breastfeeding women, and teenagers with undesired pregnancies.

Following the success of the project, the Government of Colombia asked UNOPS to undertake a second, related project in 2016, this one comprising interventions and involving 2,500 families and homes spread across 15 municipalities.

#### **D. Procurement services**

39. Efficient, effective procurement is integral to ensuring the sustainable and timely implementation of our partners' peacebuilding, humanitarian and development objectives. Reflecting the interdependent areas of UNOPS expertise, many procurement activities in 2015 took place as part of project management and infrastructure projects, while stand-alone procurement represented 35 per cent of UNOPS total delivery.

40. In 2015, UNOPS procured over \$717 million worth of goods (35 per cent) and services (65 per cent). The top five countries of supply, in descending order, were Afghanistan, the United States of America, Peru, Japan, and the United Kingdom.

41. In Cambodia, UNOPS is the principal recipient of The Global Fund to Fight AIDS, Tuberculosis and Malaria. In 2015, UNOPS procured and distributed 121,607 doses of antimalarial drugs, 1,676,550 mosquito nets and 407,000 rapid diagnostics kits to strengthen and scale up malaria prevention, care and treatment activities in the country.

42. UNOPS is the fund manager for the multi-donor Three Millennium Development Goals Fund in Myanmar. In partnership with the Ministry of Health, the fund seeks to address the basic health needs of the most vulnerable people in the country. In 2015, UNOPS procured and distributed \$15,730,032 worth of goods and services to support activities related to malaria, tuberculosis, HIV/AIDS, and maternal, newborn and child health. This included procuring and distributing 1,682,352 condoms, 584,700 diagnostic tests, 17.5 million tablets for the treatment of multi-drug resistant tuberculosis, 4,590 pieces of medical equipment, and \$1,142,418 worth of supplies to support X-ray diagnostics in detecting tuberculosis.

#### **Box 5. Fighting one of the world's top health challenges**

Tuberculosis, still endemic in many countries, killed more than 4,000 people a day in 2014 – approximately 1.5 million people during the year – making it the main infectious disease killer on the planet.

In 2015, UNOPS took over the hosting and administration duties of the Stop TB Partnership from the World Health Organization (WHO). The partnership comprises more than 1,400 partners across 100 countries, including international and technical organizations, government programmes, research and funding agencies, foundations, non-governmental organizations, civil society and community groups, and the private sector, working to accelerate the fight to stop the spread of tuberculosis.

To support its activities, UNOPS provides human resources, procurement, contracting and other administrative services. In 2015, UNOPS established or amended 16 new donor agreements and one governance document; established or amended 49 procurement agreements and 25 new service contracts; procured services for 7 regional meetings; established or amended 56 new grants and paid out 143 grants; and conducted recruitment processes for 205 people – in support of the partnership and its work.

43. In Honduras, in partnership with the Ministry of Health, UNOPS provided technical assistance in the procurement of more than 324 million doses of medicines through a service-only model. The model entails UNOPS managing the procurement process until the selection of provider has been finalized, at which point the process is handed over to national authorities to conclude. By relying on UNOPS for rapid and transparent services, national authorities stocked more than 1,300 health centres with vital supplies in response to critical shortages. Significant savings for the Ministry of Health – estimated to be in the range of \$2.1 million for the first stage alone of a nine-stage process – were identified using this model. As a result of UNOPS engagement, the number of vendors participating in the provision of health-care supplies and medicines in the country expanded from eight to 29, leading to more competitive market conditions and greater value for money for the Government in providing health-care services. In addition, in 2015, UNOPS procured more than 87 million doses of medicine and 13 million pieces of medical and surgical equipment on behalf of the Honduran Social Security Institute, supplying 13 health-care facilities.

44. As part of wider humanitarian relief efforts in the Middle East, UNOPS procured and distributed 57 vehicles on behalf of the Government of Japan in 2015.

These included 20 ambulances equipped with specialized paramedic equipment for the Bureau of Migration and Displacement of the Kurdistan Regional Government, in Iraq, to help increase internally displaced persons' access to emergency health-care services.

45. In support of the pre-disarmament, demobilization and reintegration operations work of the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic in 2015, UNOPS procured and delivered 119,175 kilograms of food and beverage items for ex-combatants.

46. On behalf of the Government of Canada, UNOPS procured 137,385 medical supplies for the La Providence Hospital in Gonaïves, Haiti, in 2015. Those procurement activities concluded a four-year project during which UNOPS was responsible for the construction and equipment of the hospital. With a focus on maternal and child health care, the hospital will increase local health-care access for a community of more than 900,000 people.

47. To aid Haiti in its fight against a cholera outbreak in 2015, UNOPS, in coordination with OCHA, distributed 153,245 emergency relief items to cholera centres around the country, consisting primarily of water purification tablets, oral rehydration serum, and antiseptic soap.

48. To assist the Government of Madagascar in responding effectively to food insecurity, UNOPS procured 34 motorcycles to support emergency food security and social protection activities. Funded by the International Development Association of the World Bank, the project seeks to improve the capacity of Madagascar to respond promptly and efficiently to food emergencies.

49. In 2015, UNOPS provided 1,260 days of technical assistance to the Government of Peru. These included 750 days of technical assistance related to contract management in the areas of construction and sanitation, social rehabilitation services, and water and wastewater systems.

50. To support efforts in Ethiopia to increase access to health-care services for those most in need, UNOPS procured 1,300 motorcycles and 40 ambulances on behalf of the Government. The ambulances will provide much-needed health transportation services to administrative districts across the country, improving the efficiency and reach of health-care services to local communities, in particular for mothers and infants.

#### **Box 6. Preventing the spread of malaria**

The emergence of parasite resistance to artemisinin drugs and their derivatives in five countries of the Greater Mekong subregion is threatening the control and elimination of malaria globally.

To address this emergency, The Global Fund allocated \$100 million to the Regional Artemisinin Initiative in Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam. As the principal recipient, UNOPS is responsible for the delivery of targets set in the grant agreement, in collaboration with selected sub-recipients, under the oversight of the country coordinating mechanism.

With an unprecedented level of funding for a single regional grant, the goal of the initiative is to accelerate the elimination of this form of malaria from the Greater Mekong Subregion and prevent the emergence of artemisinin-resistance in new areas. The initiative supports impregnated nets, diagnosis and treatment, and case detection and surveillance.

## E. Contributions to sustainability

51. UNOPS is committed to focusing on managing and reporting on sustainability. In line with Executive Board decisions 2012/16 and 2012/24, the UNOPS approach to national capacity and sustainability is embedded across the organization. Following the strategic plan, 2014-2017, UNOPS will further mainstream the national capacity development agenda and sustainable approaches in its mandated areas, including through the use of local resources.

52. UNOPS has refined its ability to measure contributions made to sustainability through project implementation. As part of that refinement, 2015 sustainability results have been weighted by delivery. Details on the UNOPS methodology are outlined in annex IV.

53. In 2015, UNOPS project managers assessed aspects of national capacity and sustainability (in terms of equitable economic growth, social justice and inclusion, and environmental impacts) in more than 1,000 projects.

54. In 2016, UNOPS will further explore best practices and standards in sustainability reporting by combining aspects of the Global Reporting Initiative framework into an annual report product. All 2016 results for subsequent UNOPS Executive Board Annual reports will follow the Global Reporting Initiative framework.

### *National capacity*

55. UNOPS respects and supports national ownership. It helps develop national capacity by providing advice and training; sharing experience, best practices and expertise; and supporting the enhancing of management oversight to improve transparency and accountability.

56. Around 55 per cent of all projects supported by UNOPS in 2015 reported one or more activities that contributed to developing national capacity in the course of project activities. Fifty-seven per cent of project management and support services, 65 per cent of infrastructure services and 46 per cent of stand-alone procurement services included such activities.

57. Thirty-three per cent of all projects reported providing on-the-job training activities during implementation. In Bangladesh, over 180 government and non-governmental organization workers were trained on project and financial management so as to strengthen the capacity of the organizations receiving grants from USAID that are working in engineering and wildlife conservation activities.

58. In 2015, the inclusion of formal certification programmes was reported by 28 per cent of UNOPS projects. Fifteen per cent of projects reported that certifications had been achieved in 2015. In Sri Lanka, for example, UNOPS joined forces with the International Labour Organization, which, in partnership with the European Union, is working to improve skilled labour in the region by providing national vocational qualifications. With the support of the National Apprentice and Industrial Training Authority, the joint approach may include certifying construction sector labourers through recognition of prior learning.

### *Equitable economic growth*

59. UNOPS provides assistance to governments to encourage social and economic empowerment. It contributes to economic sustainability by pursuing effective management and investment strategies and practices; supporting livelihoods through the creation of local employment and income opportunities; enhancing access to markets using local suppliers; and considering, where possible, the total cost of ownership (including financing, operating, maintaining and replacing assets).

60. In 2015, 48 per cent of all projects included one or more activities that contributed to economic sustainability over the course of the project. Thirty-six per cent of project management and support services, 68 per cent of infrastructure services and 51 per cent of stand-alone procurement services included such activities. The most commonly reported activity was creating work for local people, reported by 29 per cent of all projects.

61. In 2015, 30 per cent of infrastructure-related projects reported reduced maintenance needs in the final outcome. In Brazil, for example, where UNOPS is providing infrastructure support to the Government for hospital construction, designs for specific locations encouraged increased the use of ramps and stairs to reduce dependency on elevators, and their maintenance costs, over the life-cycle of the building.

#### *Social justice and inclusion*

62. UNOPS contributes to social sustainability by exercising due diligence and respect for international human rights principles; engaging local communities and ensuring equitable access to project benefits, with particular emphasis on protecting the most vulnerable; facilitating access to food, water, sanitation, energy, health, education, justice and security-related services; providing advice and implementation support in the area of disaster risk reduction for resilience; and mainstreaming gender equality in its activities.

63. In 2015, 58 per cent of all projects reported one or more activities that contributed to social sustainability over the course of the project. Fifty-two per cent of project management and support services, 56 per cent of infrastructure services, and 70 per cent of stand-alone procurement services included such activities.

64. Thirty-eight per cent of projects reported engaging local communities. For example, in Afghanistan, a project with funding from Japan rehabilitating education and health infrastructure for returnees and the host community reported formal consultations with 13 community leaders to support action on issues such as land-use permits, hiring local workers, and purchasing locally produced construction materials.

65. About 27 per cent of infrastructure projects reported increased resilience to climate change in the final product. For example, in Somalia, a project to rehabilitate the runway at Bossaso Airport, with funding from the Government of Italy, ensured that there was sufficient drainage to prevent future flooding of the runway, enabling continued use of the airport during the rainy season.

#### *Environmental impact*

66. UNOPS contributes to environmental sustainability by mitigating adverse impacts on the environment; improving biodiversity and ecological resilience; and using renewable resources, taking into account the interactions between human development and environmental sustainability.

67. In 2015, 43 per cent of all projects reported on one or more activities that contributed to environmental sustainability in the course of the project. Twenty-eight per cent of project management and support services, 72 per cent of infrastructure services and 43 per cent of stand-alone procurement services included such activities.

68. Ten per cent of all projects and 33 per cent of infrastructure services reported that efforts were made to mitigate the environmental impact of the project on the location. For example, in Mali, as part of a project to support the disarmament,

demobilization and reintegration of ex-combatants for MINUSMA, the location of a health centre was chosen so as to avoid fragile ecosystems and wetland areas.

69. UNOPS is able to provide support when the cross-border nature of environmental issues necessitates coordinated international action. For example, UNOPS executes a water resources and climate change portfolio of projects that can support a range of partners in meeting their commitments to the objectives outlined in the 2030 Agenda. Responding to the need for improved transparency within the Paris Agreement, the Initiative for Climate Action Transparency is a neutral, multi-donor fund designed to improve the capacity of developing countries to assess how they are meeting their commitments under the agreement. UNOPS began hosting the administrative and governance structures for the initiative in 2015. In addition, UNOPS provided managerial and operational support to the Climate Technology Centre and Network and the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants, both led by UNEP.

#### **IV. Management results**

##### **A. Delivery and partnerships**

70. In 2015, overall UNOPS delivery was \$1.4 billion, making it a record year compared to \$1.2 billion in 2014. The increase was mainly attributable to an upsurge in the demand for UNOPS support to partners' health work in Myanmar and globally through the Stop TB Partnership; continued demand for peacebuilding-related support in Africa; and humanitarian response activities in the Middle East.

71. In 2015, 50 per cent of UNOPS delivery was on behalf of the United Nations system. In terms of actual volume, delivery on behalf of United Nations partners increased slightly from \$698 million to \$710 million dollars. Trends among United Nations partners included a third consecutive year of increasing delivery on behalf of UNHCR, from \$58 million in 2014 to \$64 million in 2015. Support services to UNEP and WHO increased during 2015. The largest United Nations partner was DPKO, accounting for \$251 million, or 18 per cent of implementation expenditure. Specifically, this delivery comprised providing support to the global peace and security work of UNMAS. UNDP was the second-largest United Nations partner, accounting for \$173 million, or 12 per cent of total delivery, a 7 percentage point decline compared to 2014.

72. The largest partnership with a government during 2015 was with the Government of Afghanistan, followed by those of Peru and Ethiopia, respectively. In all three, the majority of services were in direct support to the government, with a continued decrease in support to governments through UNDP management services agreements. Total direct support to governments, including through such agreements, was 22 per cent of delivery (compared with 28 per cent in 2014).

73. In 2015, UNOPS partnered with international financial institutions, including through a variety of partnership structures with the World Bank, on \$102 million worth of projects. Within that total, direct implementation for the World Bank increased to \$46 million (from \$19 million in 2014), an increase attributable in part to supporting Ebola response activities in West Africa during the year. UNOPS overall delivery for international financial institutions fell slightly in comparison with 2014 figures (\$113 million worth of projects).

74. UNOPS work for the European Union increased from \$43 million to \$51 million worth of delivery in 2015. In Serbia, the partnership included support to continued post-flooding infrastructure rehabilitation as well as pre-accession support to the Government with European Union funding.

75. UNOPS continued partnership with the Global Fund had a record year in 2015, as work as the principal recipient for the Regional Artemisinin-Resistance Initiative in Cambodia, Laos, Myanmar, Thailand and Viet Nam started in earnest. Globally, UNOPS delivered \$106 million of services (compared with \$68 million in 2014) and worked as a local fund agent for the Fund in 15 countries.

76. The largest donor government to UNOPS projects where delivery could be directly attributed was the Government of the United States: support included facilitating the stipend payments for Somali security forces. Second was the Government of Canada, followed by the Governments of Japan, the United Kingdom and Italy.

77. UNOPS manages a limited number of pooled multi-donor funds and programmes, the largest of which are in Myanmar, such the Three Millennium Development Goals Fund, or operate globally, such as the Water Supply and Sanitation Collaborative Council Global Sanitation Fund and the Stop TB Partnership fund. In 2015, UNOPS delivered \$187 million of services for those funds and programmes.

78. In 2015, the largest countries of delivery were Myanmar, Afghanistan, Somalia, South Sudan, and Peru, in that order. In 2014, they were Afghanistan, Myanmar, Somalia, South Sudan, and Mali.

79. Reflecting the increasing recognition of UNOPS as a preferred partner of choice, new agreements between UNOPS and its partners reached \$1.6 billion, exceeding the annual target as well as the previous year's total of \$1.3 billion. The biggest increase in new and extended partner agreements with the United Nations was with WHO, with whom UNOPS signed \$32 million worth of engagements during 2015. There were also notable increases in bilateral partnerships with the governments of Japan and Korea.

80. In 2015, UNOPS expanded its annual survey eliciting feedback from partners to include aspects related to reputation. Through personal interviews and online surveys UNOPS asked more than 400 high-level respondents from partners and influential individuals about their needs and perceptions of UNOPS.

81. Review of the survey is still under way, but preliminary results on 260 past and current partners indicate that overall satisfaction has increased to 83 per cent, compared with 77 per cent recorded in 2014. Nearly 84 per cent of current partners indicated that they are likely to recommend UNOPS services to others.

## **B. Process excellence**

82. In 2015, UNOPS delivered the first stage of a new enterprise resource planning system that integrates more than 17 operational processes and systems, increasing the quality of information<sup>1</sup> for management decision-making and enabling UNOPS to provide more efficient operational support to its partners. The system is a key element of the continued efforts to optimize UNOPS risk management systems and reinforce internal controls, segregation of duties, and compliance.

83. In 2015, UNOPS was awarded 'gold level' in the sustainable procurement review conducted by the Chartered Institute of Procurement and Supply. This makes UNOPS the first United Nations organization (and only the fourth organization in the world) to achieve that level.

84. UNOPS developed a technical design and planning manual for correctional infrastructure to meet human rights obligations concerning safe, decent, and humane

<sup>1</sup> It is anticipated that improved accuracy may result in a reduction of the overall number of UNOPS projects.

detention facilities. In coordination with DKPO, UNOPS guidance has been distributed to all peacekeeping and political missions in Africa, aiming to enhance best practices and standards in infrastructure.

**Box 7: An integrated approach to national infrastructure**

Based on collaborative work with the Government of Norway and the Infrastructure Transitions Research Consortium led by the University of Oxford, UNOPS has formed a partnership to pioneer the necessary modelling tools, support and guidance to governments to enable long-term national infrastructure planning. This approach integrates multiple systems to support the development of national infrastructure that is resilient and robust in the face of an uncertain future.

The model will underpin strategic, evidence-based decision-making for investments in infrastructure. Support and guidance will include assistance to developing long-term national infrastructure plans anchored in a development vision, designed to allow governments to use existing assets efficiently while prioritizing new projects and deploying financial resources effectively to deliver maximum socio-economic benefits.

85. In a continuation of efforts to align UNOPS work with global frameworks, a dedicated 'disaster risk reduction for resilience' strategy was launched in 2015. UNOPS was selected to chair the steering committee of the International Recovery Platform, responsible for overseeing and providing strategic guidance to the platform secretariat, which comprises representatives from 17 organizations, including UNDP, UNEP, and the World Bank. The platform is a key pillar in implementing the Hyogo Framework for Action, the global plan for disaster risk reduction.

86. In 2015 UNOPS continued to explore social impact investing, and the potential to encourage financial institutions and the private sector to invest in development projects. Preparations were established for an approach focused on environmental infrastructure projects in areas such as renewables, waste management, water and water treatment, and social infrastructure, including health care and social housing. Additionally, planning has been undertaken to initiate a seed-capital approach to attract capital for the development or revitalization of early-stage infrastructure projects.

87. In 2015, UNOPS realigned its global structure to better suit the needs of its partners. Among other changes, the Asia Europe and Middle East Office and Global Partner Services Office were divided to establish three new regional offices: Asia, Europe and Central Asia, and the Middle East, respectively. Project management and infrastructure groups were merged to provide streamlined support to field offices. UNOPS operations in Jerusalem were identified as a 'Project Management and Infrastructure Centre of Excellence'.

88. Alongside a range of initiatives to strengthen governance, risk management and compliance, aiming to align responsibility with distributed authority, a dedicated function was established in the form of the 'risk and quality' group. The group will work towards further integrating the management of operational and strategic risks across the organization. In addition, partnerships and communications functions were combined to increase UNOPS visibility and raise awareness of the services UNOPS can provide to help people in need around the world.

89. UNOPS is committed to introducing internationally recognized standards and good practices into its operations. In 2015, UNOPS maintained its ISO 9001 quality management systems certification and expanded the coverage of its ISO 14001 certified environmental management system to cover infrastructure projects in Guatemala and Sri Lanka, complementing existing coverage of projects in Afghanistan, Kosovo, and the Jerusalem office. Furthermore, UNOPS achieved

certification to the internationally applied British Standard for occupational health, safety and management systems, OHSAS 18001, for its operations in Kosovo and the Jerusalem office. This achievement forms the basis for UNOPS compliance with the adoption of occupational safety and health systems in all United Nations organizations (CEB/2015/HLCM/7/Rev.2).

90. The UNOPS Ethics Office continued its support as a consultative, impartial and service-oriented resource for the organization, maintaining 100 per cent compliance with the UNOPS financial disclosure programme. Ethics Office activities are detailed in a dedicated report (DP/OPS/2016/4). In internal audit, the organization maintained its commitment to prompt implementation of recommended improvements. By the end of 2015, the overall implementation rate of audit recommendations stood at 96 per cent, and only four recommendations had been open for more than 18 months. Further details on internal audit findings for 2015 are included in report DP/OPS/2016/3, for presentation to the Executive Board at its annual session 2016.

### C. People excellence

91. At the end of 2015 the total combined workforce stood at 9,852 (an increase from 6,925 in 2014), due largely to additional support for United Nations partners in the Democratic Republic of the Congo and Pakistan. UNOPS also administers personnel contracts on behalf of a range of partners. A breakdown of personnel by contract category is shown in table 1, below.

**Table 1: Number of personnel by category as of 31 December 2015**

| Contract modality  | Staff | International contractors | Local contractors | Total |
|--------------------|-------|---------------------------|-------------------|-------|
| UNOPS personnel    | 863   | 694                       | 3004              | 4561  |
| Partner personnel  | 0     | 343                       | 1948              | 5291  |
| Combined workforce | 863   | 1037                      | 4952              | 9852  |

92. UNOPS recruited 70 staff in 2015. Of those, 63 were international professional staff and seven were general service staff. Eighty-two staff members left the organization. Staff turnover declined to 16.9 per cent, as compared to 17.2 per cent a year earlier. Women made up 32.7 per cent of UNOPS international personnel, a 0.4 per cent increase compared with 31 December 2014.

93. In 2015, UNOPS introduced a new talent management framework to identify, develop and retain key UNOPS personnel for business-critical roles. During an annual awards ceremony, seven individuals and five project teams were recognized for their exceptional contributions in areas including innovation and United Nations core values.

94. More than 2,080 personnel participated in UNOPS learning activities (up from 1,406 in 2014). More than 50 per cent of all learning activities were in support of the new UNOPS enterprise resource planning system, equipping personnel with the skills and knowledge needed to transition from previous systems.

95. Over 700 personnel received external project management qualifications, 246 received internal training in UNOPS infrastructure discipline, and 94 received external and internal training in procurement operations. Over 100 senior and mid-level personnel took part in management and leadership courses (as compared to 60 the previous year).

96. In 2015, the UNOPS Global Shared Service Centre, providing cost-effective transactional services in personnel contract administration, benefits and entitlements, and payroll, was strengthened through insourcing personnel administration and payroll functions that were previously outsourced to UNDP.

#### **D. Financial stewardship**

97. During 2015, UNOPS delivered \$1.4 billion in project services (against \$1.2 billion in 2014), an increase of 18 per cent. Project-related net revenue was \$87.2 million (compared to \$66.3 million in 2014). Miscellaneous income earned was \$2.4 million (against \$4 million in the previous year), and non-exchange revenue was \$0.4 million (compared to \$3.8 million in 2014). Management expenses were \$65.4 million, compared to \$58.9 million a year earlier – (an increase of 11 per cent). Nevertheless, demonstrating UNOPS commitment to delivering more with less, the ratio of management expenses to delivery in 2015 dropped to 4.54 per cent (from 4.83 per cent in 2014). This resulted in a net surplus of income over expenditure, after provisions, of \$14.3 million (compared to \$9.9 million in 2014). At yearend 2014, UNOPS continued to maintain its operational reserve above the minimum requirement established by the Executive Board.

98. An actuarial revaluation of UNOPS end-of-service employee liabilities indicated that such liabilities at year end 2015 were about \$1.9 million less than liabilities at the end of 2014. This resulted in an actuarial gain of \$5.1 million, including further funding made by UNOPS during the year.

99. The expenses, revenue and reserve balance for 2015 are early figures calculated by UNOPS, and may be subject to change. They have yet to be verified and audited by the United Nations Board of Auditors.



**Executive Board of the  
United Nations Development  
Programme, the United Nations  
Population Fund and the United  
Nations Office for Project Services**

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Item 14 of the provisional agenda  
**Internal audit and oversight**

## Activity report for 2015 of the Internal Audit and Investigations Group of the United Nations Office for Project Services

### Summary

The Director of the Internal Audit and Investigations Group of the United Nations Office for Project Services hereby submits to the Executive Board this activity report on internal audit and investigation services for the year ended 31 December 2015. The response of UNOPS management to this report is presented separately, as per Executive Board decision 2006/13.

This report provides the opinion of the Internal Audit and Investigations Group, based on the scope of work undertaken, on the adequacy and effectiveness of the governance, risk management and control processes of UNOPS (Executive Board decision 2015/13).

### Elements of a decision

**The Executive Board may wish to:**

- (a) *Take note of the annual report of the Internal Audit and Investigations Group for 2015 and the management response thereto;*
- (b) *Take note of the progress made in implementation of audit recommendations, including those that are more than 18 months old;*
- (c) *Take note of the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (in line with Executive Board decision 2015/13); and*
- (d) *Take note of the annual report of the Audit Advisory Committee for 2015 (in line with Executive Board decision 2008/37).*



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*Annexes (available on the Executive Board website)*

1. Unresolved audit recommendations issued more than 18 months before 31 December 2015
2. Titles of all internal audit reports issued during the year 2015
3. Audit Advisory Committee – annual report 2015
4. Reports issued by the Internal Audit and Investigation Group in 2015 relating to preliminary assessments or investigations which resulted in a finding of misconduct

## **I. Introduction**

1. The Internal Audit and Investigations Group (IAIG) is pleased to provide the Executive Board with the annual report on UNOPS internal audit and investigation activities for the year ended 31 December 2015. This report contains details pursuant to Executive Board decisions 2008/13 and 2012/18, specifically: (a) a table displaying unresolved audit recommendations by year and category; (b) an explanation of findings that remained unresolved for 18 months or more; and (c) titles of all internal audit reports issued during the year.
2. This report provides the group's opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the governance, risk management and control processes of UNOPS (Executive Board decision 2015/13).
3. The IAIG Director reports to the Executive Director of UNOPS and assists the Executive Director with her accountability function. In this regard, IAIG provides assurance, offers advice, recommends improvements and helps to enhance the risk management, control and governance systems of the organization. IAIG also seeks to promote and support accountability by conducting investigations into reports of violations of applicable rules, regulations and administrative or policy directives. Additionally, IAIG supports management in the application of UNOPS general policies and objectives, as described in the UNOPS strategic plan, 2014-2017 (DP/OPS/2013/3).
4. IAIG continued to interact with the UNOPS Audit Advisory Committee during 2015. In accordance with Executive Board decision 2008/37, the annual report of the Audit Advisory Committee for 2015 is attached as annex 3 to this report.

## **II. Role and functions of the Internal Audit and Investigations Group**

### **A. Mandate, functions and standards**

5. The mandate, functions and standards for internal audit and investigations within UNOPS is derived from the organization's financial regulations and rules, approved by the Executive Director as organizational directive 3, revised and effective 1 January 2012. Per regulations 6.01, IAIG:
 

shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management and control processes, and report thereon.
6. The Internal Institute of Auditors' International Professional Practices Framework provides the standards and guidance to which IAIG adheres for all of its engagements.
7. Per regulation 6.02, in addition to providing internal audit services to UNOPS, IAIG is "responsible for assessing and investigating allegations of fraud and corruption committed by UNOPS personnel or committed by others to the detriment of UNOPS".
8. The mandate, scope, responsibility, accountability and standards of IAIG are further defined in the Internal Audit Charter approved by the Executive Director and issued as organizational directive 25, revised and effective 2 March 2015, in organizational directive 2, "UNOPS Accountability Framework and Oversight Policies", organizational directive 15 (Addendum 4), "UNOPS Global Structure", and organizational directive 36, "UNOPS Legal Framework for Addressing Non-Compliance with United Nations Standards of Conduct".

## **B. Coordination with the United Nations Board of Auditors and other United Nations oversight bodies**

9. IAIG coordinated its internal audit work with, and made its results available to, the United Nations Board of Auditors. Furthermore, the group's annual planning process included consultation with the United Nations Board of Auditors.

10. IAIG continued to coordinate its activities with the United Nations Office of Internal Oversight Services, the United Nations Representatives of Internal Audit Services (UN-RIAS), the United Nations Representatives of Investigation Services and the Joint Inspection Unit.

## **III. Approved annual internal audit work plan for 2015**

11. The primary aim of the 2015 work plan was to evaluate and improve the effectiveness of risk management, control and governance processes; and provide the Executive Director with the assurance that internal controls and procedures are functioning as intended. The work plan contained a detailed discussion of the planning approach, objectives, risk assessment, scope, nature of audit services and operating budget.

### **A. Risk-based internal audit plan**

12. In preparing its work plan for 2015, IAIG refined the risk assessment model used in earlier years to ensure consistency between internal audit priorities and the goals of UNOPS management. IAIG gathered data from a variety of internal sources and consulted existing components of the risk management system mandated in UNOPS financial regulation 4.01 and financial rules 104.01 and 104.02 to perform this assessment. UNOPS also supported the enterprise risk management programme to improve organization-wide risk identification and mitigation techniques.

13. The 2015 audit work plan, based on the audit risk assessment, acknowledged the geographical diversity of UNOPS operations worldwide and included both compliance and performance audits.

### **B. Progress on implementation of annual work plan**

14. All of the internal audits planned for 2015 were completed and final reports issued during the year (see table 1), except for the Haiti Operational Centre internal audit report which, while completed, will be issued in 2016. This did not impact on the ability of IAIG to provide audit assurance in 2015.

**Table 1. Status of implementation of the work plan as at 31 December 2015**

|                                          | IAIG internal audits | Project audits | Total |
|------------------------------------------|----------------------|----------------|-------|
| Number of audits planned in 2015         | 8                    | 0*             | 8     |
| Total audit reports issued               | 7                    | 22             | 29    |
| Total audit reports carried over to 2016 | 1                    | 0              | 1     |

\* Nil as requests for project audits are client-driven.

## **IV. Highlights of 2015 audit activities**

15. As noted in table 1, IAIG issued 29 reports during 2015, compared with 22 in 2014. The number of reports is greatly influenced by client requests and reporting requirements, as per project agreements.

16. The IAIG audits fell under one of two categories that reflected the differences in approach:

- (a) Internal audits conducted by IAIG (seven reports); and
- (b) Project audits conducted under the supervision of IAIG by professional auditing firms to fulfil project reporting requirements (22 reports).

17. The 29 audit reports issued in 2015 contained 158 audit recommendations. Of these, 101 pertain to internal audit reports (table 3) and 57 to project audit reports (table 6).

#### **A. Internal audits conducted directly by the Internal Audit and Investigations Group**

##### **Internal audit reports issued**

18. During the year ended 31 December 2015, seven internal audit reports were issued by IAIG and submitted to the UNOPS Executive Director, as detailed in table 2.

19. IAIG also participated in an interagency audit of the governance function of the South Sudan Common Humanitarian Fund which was led by the UNDP Office of Audit and Investigation.

**Table 2. List of internal audit reports issued by the Internal Audit and Investigations Group in 2015**

| Report title                                        | Rating*                |
|-----------------------------------------------------|------------------------|
| Internal audit of the Jerusalem Operations Centre   | Satisfactory           |
| Internal audit of the Serbia Project Centre         | Satisfactory           |
| Internal audit of the Afghanistan Operational Hub   | Partially satisfactory |
| Internal audit of the South Sudan Operations Centre | Unsatisfactory         |
| Review of infrastructure process                    | Not applicable**       |
| Cyber security maturity assessment                  | Not applicable**       |
| Review of leave entitlements                        | Not applicable**       |

\* As per the harmonized definitions adopted by the internal audit services of UNDP, UNFPA, the United Nations Children's Fund, UNOPS and the World Food Programme, effective 1 January 2010:

- a "satisfactory" rating means "internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity"; and
- a "partially satisfactory" rating means "internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity".

\*\* This was a consultancy service and, in line with IAIG standard procedures, no overall rating was provided.

##### **Analysis of internal audit recommendations issued in 2015**

20. Pursuant to Executive Board decision 2008/13, IAIG analysed the recommendations issued by level of importance and frequency of occurrence in a functional area.

21. The number of internal audit recommendations issued increased from 82 in 2014 to 101 in 2015 and the average number of recommendations per audit report increased from 10 in 2014 to 14 in 2015. IAIG continued its commitment to following the advice of the Audit and Advisory Committee that IAIG focus on the more significant risks and systemic issues.

*Level of importance of audit recommendations related to IAIG audits*

22. Of the 101 recommendations issued, 44 were considered to be high importance<sup>1</sup> and 57 of medium importance, as shown in table 3. Low-priority recommendations are addressed during the field work stage of the audit.

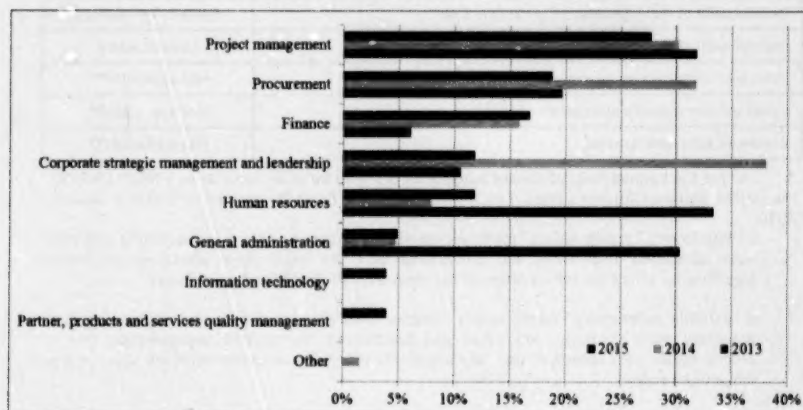
**Table 3. Categorization of audit recommendations, by level of importance**

| Level of importance | Number of recommendations |      |      | Percentage of total |      |      |
|---------------------|---------------------------|------|------|---------------------|------|------|
|                     | 2013                      | 2014 | 2015 | 2013                | 2014 | 2015 |
| High                | 52                        | 37   | 44   | 60                  | 45   | 44   |
| Medium              | 35                        | 45   | 57   | 40                  | 55   | 56   |
| Total               | 87                        | 82   | 101  | 100                 | 100  | 100  |

*Frequency of occurrence of audit recommendation by functional area*

23. The frequency of audit recommendations by functional area is displayed in figure 1. Most recommendations pertained to project management (27 per cent), procurement (19 per cent) and finance (17 per cent), followed by corporate strategic management and leadership (12 per cent), human resources (12 per cent), general administration (5 per cent), information technology (4 per cent) and partner, products and services quality management (4 per cent). It should be noted that this distribution by functional area was driven by the audit scope as identified in the risk assessment conducted for each engagement.

**Figure 1. Internal audit recommendations by functional area<sup>2</sup>**



**Key areas of improvement identified in 2015 internal audit reports**

24. Supplementing the previous analysis, figure 2 shows the number of recommendations by objective type.<sup>3</sup> Recommendations on compliance issues (45 per cent) were highest, followed by those addressing operational issues (35 per cent) and strategic issues (20 per cent).

<sup>1</sup> Level of importance:

**High:** action considered imperative to ensure that UNOPS is not exposed to high risks.

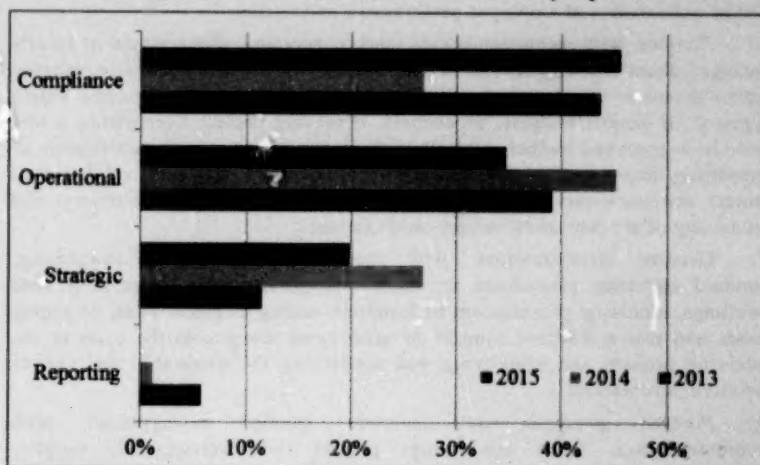
**Medium:** action considered necessary to avoid exposure to significant risks.

**Low:** action considered desirable and should result in enhanced control or better value for money.

<sup>2</sup> The "other" category includes security and contract and property review.

<sup>3</sup> As per entity objectives mentioned in "Internal Control – Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Figure 2. Recommendations issued in 2015 by objective



25. Key areas for improvement concerned:

(a) *Corporate strategic management and leadership*, with recommendations made concerning: portfolio diversification planning; business acquisition and development; communications with partners; human resources strategic planning; recruitment processes; integration of office practice groups; segregation of duties in key risk management and oversight functions; compliance and oversight mechanisms; application of lessons learned, with particular reference to infrastructure failures; and cyber security;

(b) *Project management*, with recommendations made concerning: discrepancies between works estimations and actual works completed; hub authority with respect to annual targets of sub-offices; planning, budgeting and monitoring of projects; accountability of project managers for project budgets and expenditures; oversight by project budget owners; quality control; formal authorization for budget reallocations; approval of transfer of funds between projects; inclusion of a contingency in every contract for works that is awarded; enforcement of a standardized drawing and approvals process; ensuring that suppliers are provided with necessary equipment required for works; guidance on the return of retention to suppliers; adherence to UNOPS health and safety policy; archiving and maintenance of records; design planning guidance; oversight in the creation of infrastructure contracts; insurance arrangements for infrastructure projects; and learning lessons from problems experienced;

(c) *Procurement*, with recommendations made concerning: approval of incoterms; reporting of suspected vendor or bank misconduct; registration of suppliers; contract non-performance and supplier misconduct; compliance with delegation of authority requirements; guidance on procurement and contract management; field monitoring; background checking of suppliers; checking for conflict of interest; approval of contract amendments; recording of contractual obligations in the enterprise resource planning tool; protective mechanisms in contracts; and standardizing of application of contractual performance mechanisms;

(d) *Human resources*, with recommendations made concerning: procedures for handling requests for certified sick leave and annual leave; contracts for individuals engaged by UNOPS; cyber security training and awareness; quality recruitment through reference to a list of accredited universities and equivalencies; generic terms of references for common engineering positions; continuous professional development of UNOPS engineers; facilitating of

membership and affiliation with professional engineering associations; and annual assessments of employee performance and results;

(e) *Finance*, with recommendations made concerning: management of locally managed direct cost surplus and deficit; viability of the new enterprise resource planning tool to incorporate locally managed direct cost arrangements; timely approval of project budgets; procedures to prevent project expenditure where there is no approved budget; controls in the commitment process, verification of supporting documentation for contracts; processing of payments; validation of project and personnel expenditure; processing of payments to vendors; and processing of pre-payments and pre-paid expenses;

(f) *General administration*, with recommendations made concerning: standard operating procedures for asset management; management of staff dwellings, including procurement of furniture, setting of rental rates, arranging leases and rent collection; transfer of asset costs along with the asset to the receiving project; and classifying and identifying the ownership and use of sensitive information;

(g) *Partner, products and services quality management*, with recommendations made concerning: project risk management; supplier performance evaluations for large contracts; and the quality assurance process at the engagement, project and contract level to ensure timely recognition of defects; and

(h) *Information technology*, with recommendations made concerning: an external review of the new enterprise resource planning system upon deployment; technical security monitoring at both network and system levels; strengthening of the secure systems development life cycle methodology; and systematic cyber-attack readiness testing.

## **B. Projects audits**

### **Single audit principle**

26. IAIG upholds the United Nations “single audit principle” as detailed in the UNOPS report on internal audit and oversight in 2007 (DP/2008/21).

27. While management is responsible for meeting the requirements of project agreements, IAIG provides technical support to project managers in meeting their projects’ audit requirements. For that purpose, IAIG engages third-party professional auditing firms to conduct these audits. All the professional firms contracted have been pre-qualified by UNOPS, and adhere to the terms of references approved by IAIG. All audit reports prepared by such firms undergo quality assurance by IAIG before they are issued.

28. In 2015, 20 of the 22 project audit reports were issued by one audit firm with whom IAIG established a three-year professional services contract in 2013. IAIG continues to see an increased consistency in reporting, improved timelines, and a simplified process for conducting project audits.

### **Internal audit reports issued for projects**

29. During the year ended 31 December 2015, 22 audit reports relating to specific projects were issued by IAIG and submitted to the UNOPS Executive Director or Regional Director, depending on the project.

30. As shown in table , a majority of the 22 audit reports for projects issued in 2015 provided both an audit opinion on the financial statement of the project and a rating of the internal control environment. This was in accordance with the requirements of the partner and primary stakeholder(s) concerned.

**Table 4. Number of project audit reports issued, 2013-2015**

|                                                                                                                                  | 2013      | 2014      | 2015      |
|----------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Audit reports issued expressing an opinion on the financial statement and providing a rating of the internal control environment | 12        | 11        | 20        |
| Audit reports issued expressing an opinion on the financial statement only                                                       | 1         | 3         | 2         |
| <b>Total</b>                                                                                                                     | <b>13</b> | <b>14</b> | <b>22</b> |

31. As shown in table 5, the proportion of project audits with an unqualified opinion on their financial statements has steadily improved, from 92 per cent in 2013 to 100 per cent in both 2014 and 2015. The progressive increase in the number of unqualified reports reflects the improvement in the quality of financial reports produced by UNOPS.

32. The proportion of project audits with a "satisfactory" rating for internal controls has increased, from 55 per cent in 2014 to 75 per cent in 2015. There were no project audits with an "unsatisfactory" rating for internal controls.

**Table 5. Summary of project audit opinions and ratings of internal controls for project audits, 2013-2015**

| Type of opinion or rating                                        | Number of audit reports |           |           | Percentage of total |            |            |
|------------------------------------------------------------------|-------------------------|-----------|-----------|---------------------|------------|------------|
|                                                                  | 2013                    | 2014      | 2015      | 2013                | 2014       | 2015       |
| <b>Audit opinion on financial statement of project</b>           |                         |           |           |                     |            |            |
| Unqualified opinion                                              | 12                      | 14        | 22        | 92                  | 100        | 100        |
| Qualified opinion                                                | 1                       | 0         | 0         | 8                   | 0          | 0          |
| <b>Total</b>                                                     | <b>13</b>               | <b>14</b> | <b>22</b> | <b>100</b>          | <b>100</b> | <b>100</b> |
| <b>Rating of overall level of internal control (where given)</b> |                         |           |           |                     |            |            |
| Satisfactory                                                     | 8                       | 6         | 15        | 67                  | 55         | 75         |
| Partially satisfactory                                           | 4                       | 5         | 5         | 33                  | 45         | 25         |
| Unsatisfactory                                                   | 0                       | 0         | 0         | 0                   | 0          | 0          |
| <b>Total</b>                                                     | <b>12</b>               | <b>11</b> | <b>20</b> | <b>100</b>          | <b>100</b> | <b>100</b> |

#### **Financial impact of project audit findings in 2015**

33. The Executive Board, in decision 2010/22, requested that information on the financial impact of audit findings be incorporated in future reports. For 2015, the cumulative financial impact of project audit reports with a qualified opinion was nil.

#### **Project audit recommendations issued in 2015**

34. The 22 project audit reports issued generated 57 audit recommendations, an average of 2.6 recommendations per report. This average is a slight increase over the 2014 average of 2.0 recommendations per report, but still below the 3.7 average from 2013.

35. These 57 recommendations are analysed below by importance and frequency of occurrence in a functional area.

#### *Level of importance of audit recommendations related to project audits*

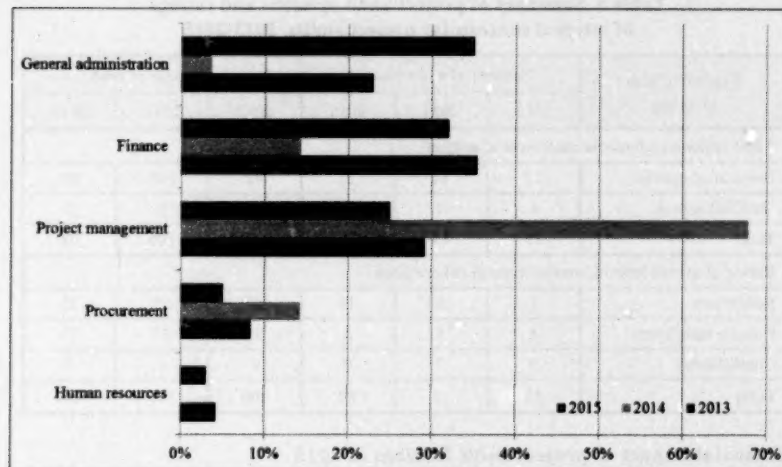
36. As seen in table 6, the proportion of audit recommendations rated as being of high importance decreased from 11 per cent in 2014 to nil in 2015.

**Table 6. Categorization of project audit recommendations by level of importance**

| Level of importance | Number of recommendations |           |           | Percentage of total |            |            |
|---------------------|---------------------------|-----------|-----------|---------------------|------------|------------|
|                     | 2013                      | 2014      | 2015      | 2013                | 2014       | 2015       |
| High                | 9                         | 3         | 0         | 19                  | 11         | 0          |
| Medium              | 38                        | 21        | 57        | 79                  | 75         | 100        |
| Low                 | 1                         | 4         | 0         | 2                   | 14         | 0          |
| <b>Total</b>        | <b>48</b>                 | <b>28</b> | <b>57</b> | <b>100</b>          | <b>100</b> | <b>100</b> |

*Frequency of occurrence of project audit recommendations by functional area*

37. The frequency of audit recommendations by functional area, displayed in figure 3, shows that in 2015 most recommendations pertained to general administration (35 per cent), finance (32 per cent) and project management (25 per cent), with the remainder pertaining to procurement (5 per cent) and human resources (3 per cent).

**Figure 3. Project audit recommendations by functional area**

#### **Key areas for improvement identified in 2015 project audit reports**

38. Key areas for improvement concerned:

(a) *Project/grant management*, with recommendations made concerning: project oversight by project steering committees; signing of memoranda of understanding; submission of grant and progress reports and disbursement requests to donors; accuracy of value-added tax claimed in financial reports; limiting of total value of grants to any one beneficiary; documenting the review of progress and financial reports; collection of unused project funds following a cancelled agreement; termination procedures; annual performance and results assessments; annual planning memoranda; meetings with district and technical steering groups; documented approval for fuel removed from a project compound; verification of the validity of dollar notes; and retention of performance guarantee funds;

(b) *Finance and enterprise resource planning processes*, with recommendations made concerning: coding, classification and documenting of expenditures; reconciliation of petty cash; segregation of duties in financial processes; accuracy and completeness of transactions in the enterprise resource

planning system; creation of vendor profiles in the enterprise resource planning system prior to project agreement signature; and meeting of deadlines with respect to vendor creation, purchase order approval and payment;

(c) *Procurement*, with recommendations made concerning: procurement efficiency through cost-benefit analysis of price against delivery timeframe; adherence to contract terms; reviewing of quotations during the procurement evaluation process; and timely documenting of approval of requisitions;

(d) *Human resources*, with recommendations made concerning annual employee performance and results assessments;

(e) *General administration (asset management)*, with recommendations made concerning asset safeguards, monitoring, and reporting; and

(f) *General administration (information management)*, with recommendations made concerning the small grants programme database and the maintenance of key grant documentation.

### C. Improvements to the UNOPS internal control system

39. In 2015, management introduced further measures to strengthen the internal control system. These improvements were taken into account during the preparation of the audit work plan.

40. Strengthening the UNOPS internal control system is an ongoing process. During 2015, management revised or issued new policies and procedures in a number of areas. Pursuant to Executive Board decisions 2015/4 and 2015/12, management acted swiftly in the area of strategic governance and management to promulgate the establishment of the UNOPS Audit Advisory Committee with a terms of reference comparable to that of other organizations under the purview of the Board. The UNOPS accountability framework and oversight policies were also updated to reflect this change. Also in this area, management continued to ensure that adjustments to the organizational structure were made and implemented across UNOPS. These changes included the establishment of internal lines of authority and accountability of the global management team, definition of clear geographical boundaries for the operational scope of its regional entities, and updates to relevant support and financial systems through which the internal control framework is operationalized. In addition, management revised or issued a number of policies in the areas of procurement, human resources and general support.

41. During 2015, UNOPS management convened a number of internal working groups with representatives from its global management team representing headquarters and field operations. The topics of the working groups included services, strategic investments, costing and pricing, engagement acceptance, decision-making, organizational structure and collaboration. The working groups presented 28 recommendations to the Executive Director all of which are now under implementation. By the end of 2015, management estimated that implementation of the recommendations was 55 per cent complete.

42. UNOPS maintained its global certification by the International Organization for Standardization (ISO) 9001 Quality Management System. UNOPS also expanded the coverage of its ISO 14001 certified Environmental Management System to include infrastructure projects in Guatemala and Sri Lanka, complementing the existing coverage of projects in Afghanistan, Kosovo<sup>4</sup> and the Jerusalem Office. In 2015, UNOPS achieved certification to the internationally applied British Standard for occupational health and safety advisory services, OHSAS 18001, for its operations in Kosovo and the Jerusalem Office. This achievement forms the basis for UNOPS compliance with the United Nations system occupational health and safety framework

<sup>4</sup> In the context of Security Council resolution 1244 (1999).

(CEB/2015/HLCM/7/Rev.2), regarding the adoption of occupational safety and health systems in all United Nations organizations.

43. The UNOPS internal control system is supported by corporate tools and systems. In 2015, UNOPS continued the development of a new enterprise resource planning system designed to better integrate operational processes and systems. This new system should increase the quality of information for management decision-making, enable UNOPS to provide more efficient operational support to partners, and support implementation of IPSAS. The system went live by the end of 2015 and will be a key element of continued efforts to optimize UNOPS risk management systems, and to strengthen internal controls, segregation of duties and compliance of UNOPS operations.

44. In 2015, UNOPS strengthened its approach to risk management with the creation of the dedicated Risk and Quality Group (at Director level). The Risk and Quality Group is mandated with corporate responsibility for risk and quality management, in line with oversight and corporate controls established at institutional levels. The new group will further strengthen the UNOPS approach to risk assessment prior to acceptance of new projects, with particular focus on exposure to technical, legal, financial and political risks. Furthermore, management launched an initiative to introduce the concept of "principled performance". This initiative will complement other models such as the excellence and three lines of defence model, in the continual process of enhancing the organization's risk management systems. In its annual report (DP/OPS/2016/3, annex 3), the UNOPS Audit Advisory Committee noted that UNOPS is particularly exposed to risks when new projects are accepted, and supported the continued focus on strengthening its risk management systems in this area. Furthermore, the committee encouraged management's ambition to introduce the concept of principled performance as a means of strengthening the application of other recognized approaches to corporate governance, risk, compliance, and performance management. In its report, the committee also noted the significant potential to further enhance operational efficiency and effectiveness through a combination of these approaches and digital solutions.

45. During the year, UNOPS management and IAIG worked together to ensure the implementation of internal audit recommendations and to incorporate these results into performance data for various UNOPS departments. By using these performance data, management was able to rapidly resolve issues and areas of risk identified, thereby safeguarding the effectiveness of the UNOPS internal control framework. The result of these efforts is evidenced by the overall implementation rate of 96 per cent of internal audit recommendations issued from 2008 to 2015, with only four recommendations remaining outstanding which are more than 18 months old.

#### **D. Audit opinion**

46. Management is responsible for maintaining the adequacy and effectiveness of UNOPS governance, risk management and control. IAIG has the responsibility to independently assess the adequacy and effectiveness of the framework.

47. The audit opinion is based on the audit reports issued by IAIG between 1 January and 31 December 2015 in conformance with the International Standards for the Professional Practice of Internal Auditing. The audit reports pertained to the following:

- (a) Audits of field offices;
- (b) Audits of cross-functional themes;
- (c) Audits of projects; and
- (d) The implementation status of audit recommendations as at the end of the calendar year.

48. The majority of the audit reports issued in 2015 covered the 2014 and 2015 activities of UNOPS. A concise summary of the audit work that supports the opinion is included in parts A and B of this section, above.

49. In the opinion of IAIG, based on the scope of work undertaken, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory, which means that they were generally established and functioning but needed improvement. The implementation ratio of audit recommendations as per 31 December 2015 is 96 per cent, which implies that appropriate and timely action is taken, as and when improvements in governance, risk and control are necessary.

## **V. UNOPS accountability framework**

50. In accordance with the UNOPS accountability framework and oversight policies, the IAIG Director reports to the Executive Board on the resources available and required for the implementation of the accountability framework.

51. The pillars of the UNOPS accountability framework and oversight policies that are internal to the organization include IAIG, the Audit and Advisory Committee, the Ethics Officer, the Office of the General Counsel, the Risk and Quality Group, the Appointment and Selections Panel, the Appointment and Selections Board, the Headquarters Contracts and Property Committee, the balanced scorecard system and the implementation of UNOPS organizational directives and administrative instructions.

52. The fundamental pillars of the UNOPS accountability framework and oversight policies that are external to the organization include the Executive Board, the United Nations Board of Auditors, the Joint Inspection Unit, the Advisory Committee on Administrative and Budgetary Questions, and the Fifth Committee of the General Assembly.

## **VI. Disclosure of internal audit reports**

53. IAIG complies with Executive Board decisions 2008/37 and 2012/18 and the procedures approved therein regarding disclosure of internal audit reports.

54. Accordingly, IAIG has published, on the UNOPS public website, the executive summaries of internal audit reports issued after 30 June 2012 and the complete internal audit reports issued after 1 December 2012. Furthermore, since November 2011 all functional and thematic audit reports, as well as the list of all audit reports issued since 2008, have been posted on the UNOPS public website.

55. The IAIG experience with the public disclosure of audit reports has been positive, as it leads to enhanced transparency and accountability and to timely action by management on audit recommendations. It has also continued to raise the standard of audit reports as a result of the increased quality assurance efforts required by internal auditors.

## **VII. Advisory services**

56. At the request of management, IAIG provides internal advisory services that cover a variety of issues relating to UNOPS internal controls, policies and organizational directives, business processes, proposed project agreements and other specific concerns. In accordance with Institute of Internal Auditors standards, IAIG acts only in an advisory capacity and does not participate in the implementation of any procedure.

57. During 2015, IAIG provided advisory services which included: providing advice on the implementation of a new enterprise resource planning system and continuous monitoring tests to be included in the configuration; advising management on the creation of a treasury function within UNOPS; and

providing advice on the establishment of an enterprise risk management function within UNOPS. IAIG also participated in the UNOPS Information and Communication Technology Advisory Board as an observer.

58. In order to support management, IAIG also continued to conduct internal compliance evaluations, which are a requirement to maintain the ISO 9001, ISO 14001 and OHSAS 18001 certifications held by UNOPS.

59. Furthermore, IAIG continued to assist management in reviewing proposed project agreements containing audit clauses to ensure that these clauses are in accordance with Executive Board decisions and the UNOPS financial regulations and rules. IAIG also assisted management in engaging with audit firms during the procurement and engagement planning processes.

## VIII. Investigations

60. IAIG is the sole entity in UNOPS responsible for conducting investigations into allegations of fraud, corruption, abuse of authority, workplace harassment, sexual exploitation, retaliation and other acts of misconduct.

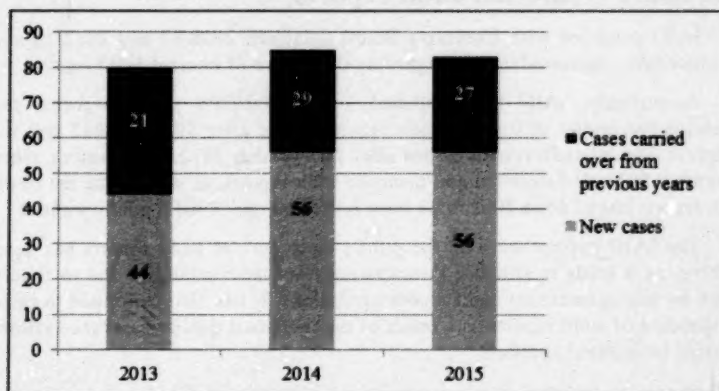
### A. Complaint intake

61. In 2015, IAIG received 120 complaints, 56 of which became cases and 64 were found to be unsubstantiated and did not require further investigation. This is compared with 2014, in which IAIG received 93 complaints, 56 of which became cases and 37 were found to be unsubstantiated and did not require further investigation.

### B. Cases opened

62. In addition to the 56 cases opened in 2015, a further 27 cases were carried over into 2015 (figure 4).

Figure 4. Number of cases opened, 2013-2015

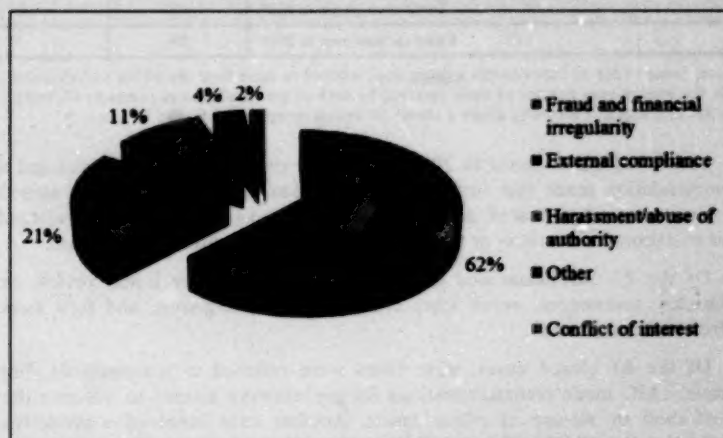


63. Forty-six per cent of the cases opened in 2015 were referred by management or personnel; 44 per cent came through other means (external organizations such as the medical insurance provider), six per cent came through the UNOPS fraud or harassment hotlines, while two per cent originated out of an IAIG audit. In addition, IAIG commenced two proactive investigations (4 per cent of the cases); one aiming at identifying red flags in procurement exercises in a country that historically had a large number of complaints, while the second was a proactive review into the academic credentials of UNOPS personnel.

64. The majority of cases opened in 2015 (35 cases or 62 per cent) involved some type of alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of UNOPS resources). Twenty-

one per cent (12 cases) involved external compliance (allegations of medical insurance fraud and violation of local laws), while another 11 per cent (six cases) involved harassment and/or abuse of authority. Two cases (4 per cent) involved other types of alleged misconduct, such as breach of confidentiality, while one case (2 per cent) involved conflict of interest allegations.

Figure 5. Types of cases opened in 2015



### C. Outcome of investigations

65. After a complaint is received, IAIG conducts an initial review to determine whether the allegations fall within its mandate and jurisdiction. If it does, IAIG then conducts either a preliminary assessment or an investigation, depending on several factors, such as the sufficiency of the evidence or seriousness of allegations. If the allegations against a UNOPS personnel member are substantiated, IAIG refers the case to the Human Resources Legal Officer for disciplinary action in accordance with organizational directive 36. If the case involves a UNOPS vendor, the matter is referred to the Vendor Review Committee pursuant to organizational directive 41. Retaliation cases are referred to the Ethics Officer under organizational directive 35.

66. In 2015, IAIG closed 63 cases, reducing its caseload from 83 to 20 cases (a reduction of 75.9 per cent). Table 7 shows the number of cases opened and closed in 2015.

Table 7. Closing of investigation cases in 2015

| Cases carried over from previous years                                      | 27        | 33         |
|-----------------------------------------------------------------------------|-----------|------------|
| Cases received in 2015                                                      | 56        | 67         |
| <b>Total caseload in 2015</b>                                               | <b>83</b> | <b>100</b> |
| <b>A. Cases closed with no further action necessary (not substantiated)</b> |           |            |
| • After initial review or preliminary assessment                            | 16        | 26         |
| • After investigation                                                       | 7         | 11         |
| • Referred to management                                                    | 4         | 6          |
| <b>Subtotal</b>                                                             | <b>27</b> | <b>43</b>  |
| <b>B. Cases substantiated but outside the IAIG mandate</b>                  |           |            |
| • Referred to other United Nations organizations                            | 2         | 3          |
| • Referred to national authorities                                          | 1         | 2          |
| <b>Subtotal</b>                                                             | <b>3</b>  | <b>5</b>   |

|                                                                      |            |            |
|----------------------------------------------------------------------|------------|------------|
| <b>C. Cases substantiated and closed recommending further action</b> |            |            |
| • Referred to Human Resources Legal Officer                          | 30         |            |
| • Referred to management                                             | 5          |            |
| • Referred to UNOPS Vendor Review Committee                          | 4          |            |
| • Referred to national authorities                                   | 2          |            |
| • Referred to other United Nations organizations                     | 1          |            |
| <b>Subtotal</b>                                                      | <b>33*</b> | <b>52</b>  |
| <b>Total cases closed in 2015</b>                                    | <b>63</b>  | <b>100</b> |
| <b>Cases carried over to 2016</b>                                    | <b>20</b>  |            |

\* Note: Some of the 33 cases in this section were referred to more than one of the parties listed. Thus, the overall total number of cases received by each of the listed parties comes to 42, rather than 33. This explains also why annex 4 shows 34 reports being issued for the 33 cases.

67. Of the 63 cases closed in 2015, 33 (52 per cent) were substantiated and a recommendation made that further action be taken, 27 (43 per cent of closed cases) were not substantiated, and a further three cases (5 per cent) were referred either to national authorities or the appropriate United Nations organization.

68. Of the 27 unsubstantiated cases, 16 were closed after initial review or preliminary assessment, seven were closed after investigation, and four were referred to management.

69. Of the 63 closed cases, nine cases were referred to management. For example, IAIG made recommendations for preventative actions to mitigate the risk of theft or misuse of office assets. Another case involved a proactive investigation that IAIG initiated regarding allegedly bogus educational degrees.

#### *Substantiated cases*

70. IAIG found the allegations substantiated in 33 cases (52 per cent of cases closed). Thirty cases (28 investigations and two initial reviews) involved UNOPS personnel and thus were referred to the Human Resources Legal Officer for disciplinary action. One case was referred to another United Nations organization as the personnel member involved fell under its mandate. As discussed below, four cases involved vendors and were referred to the Vendor Sanctions Committee.

#### *Financial losses and recovery thereof*

71. The total financial loss that was substantiated in investigation reports from IAIG in 2015 amounted to \$77,191 (\$38,508 in medical fraud, \$38,683 misused funds), which is less than 0.1 per cent of UNOPS total annual resources. The amount of \$60,358 was identified as UNOPS funds and \$16,833 as client funds (about which the clients have been informed). As of 31 December 2015, UNOPS has recovered \$28,252 of the total loss identified in these reports in 2015, leaving a net loss of \$48,939.

#### *Action taken in cases of misconduct*

72. IAIG issued 60 reports in 2015 for 34 cases (see annex 4). Some cases have more than one subject, which means that more than one report may be issued for a single case.

73. IAIG recommended disciplinary action against 65 personnel members in 2015:

- (a) 18 individuals were disciplined. Out of the 18, 14 people had their contracts terminated, two were censured, and two were demoted;
- (b) 32 individuals separated from UNOPS before the administrative process was completed. Since the United Nations Dispute Tribunal does not permit disciplinary actions for those who have separated from the organization, the matter will be addressed if and when the individuals are considered for future UNOPS positions; and

- (c) no action was taken against four personnel members due either to new exculpatory evidence becoming available only after the completion of the IAIG review or to the collected evidence not meeting the standard of evidence required by United Nations Appeals Tribunal; and
- (d) the cases for 11 individuals were pending at the end of the year.

74. Management also addressed matters against 10 individuals whose cases originated prior to 2015. Five individuals were disciplined (contracts terminated from UNOPS), while the other five left before the administrative process was completed. Hence, the matter will be addressed if and when the individuals are considered for future UNOPS positions.

75. In addition to administrative recommendations, IAIG recommended referral to national authorities in three cases. One case pertained to theft of UNOPS funds and another case to a major medical insurance fraud ring implicating 26 subjects. The third case involved unknown third parties issuing and selling fraudulent procurement documents using the name of UNOPS.

#### *Vendor sanctions*

76. IAIG remains an integral part of the UNOPS Vendor Sanctions Regime and serves in an advisory capacity to the Vendor Review Committee. In 2015, four cases were referred to the Vendor Review Committee for consideration of further action. The cases involved five vendors and one principal. The Vendor Sanction Committee took action in two of the four cases. As a result, UNOPS subsequently debarred one vendor and its principal for three years for engaging in fraudulent practices and obstructing IAIG work. The committee also censured two other vendors for obstruction. The censures do not affect their eligibility to do business with UNOPS or the United Nations, but they would be considered an aggravating factor in any future proceeding. The two other cases against three vendors remained under review by the committee at the end of 2015.

77. At the time of writing, UNOPS has sanctioned 40 vendors and company principals based on IAIG findings. More details, including all UNOPS entries to the United Nations Ineligibility List, are publicly available on the UNOPS website.<sup>5</sup>

### **D. Strengthening the investigative capacity**

78. IAIG has three dedicated professionals who are supported by an investigative assistant. It has continued to rely upon consultants for additional support, which was particularly visible in 2015 as its workload grew. This growth is attributed to strong support of IAIG from the Executive Director, an increase in training offerings and communications about IAIG, and greater cooperation with clients. In 2016, IAIG will add an international individual contractor in a quality assurance function. Furthermore, IAIG engaged the services of a company to perform its forensic computer services through a long-term agreement.

79. In 2015, IAIG revised its standard operating procedures in order to ensure consistency with best practice. IAIG also purchased a new software package for planning and allocating tasks and monitoring workflow. Moreover, IAIG began tracking its investigation recommendations to management in the audit database (TeamMate) in order to systematically monitor and follow up on their implementation.

80. IAIG continues to focus its limited resources on serious cases and refers less serious matters to the appropriate office. For instance, IAIG works closely with the People and Change Group on harassment and abuse of authority cases.

<sup>5</sup> <https://www.unops.org/english/Opportunities/suppliers/Pages/Vendor-sanctions.aspx>

Similarly, IAIG works with legal officers and senior managers, who may undertake initial reviews of allegations on its behalf.

81. In 2015, IAIG agreed to provide new assistance to the People and Change Group in the upcoming year. Beginning January 2016, IAIG will conduct a check of all separating personnel members during the exit procedure to ensure that there are no outstanding issues against them.

*Independent peer review of UNOPS investigative function*

82. With a view to improving its investigation function, IAIG, on its own initiative, underwent an external quality assessment in 2015. Such a review was consistent with the International Investigations Guidelines, to which IAIG adheres, as well as the Joint Inspection Unit's recommendation to all United Nations investigative offices.

83. The review team concluded that, overall, the investigation function at UNOPS conforms with its legal framework and generally accepted standards for investigations in international organizations. The review also found that IAIG largely enjoys a reputation of professionalism and efficiency within UNOPS and its work is perceived by stakeholders as fair and competent. IAIG will review and begin implementing the material recommendations that the team made in 2016.

## **E. Fraud prevention**

*Training*

84. IAIG recognizes the high risk environments that UNOPS operates in and is committed to strengthening preventative measures, particularly in the field of fraud. Pursuant to its revised charter, the IAIG mandate was expanded to include training and fraud prevention. In 2013, UNOPS introduced a standards of conduct workshop for UNOPS personnel. The workshop is part of UNOPS proactive efforts to raise awareness of compliance and ethics. The objectives are to help raise UNOPS employees' awareness of the importance of operating in line with the highest ethical standards, align the work UNOPS does with the UNOPS vision, mission and values, and train personnel to spot potential issues and know where to report concerns or suspicions. IAIG also conducts a session on ethics and integrity in project management at every project management foundation course, which is held quarterly. This training advises personnel involved in project management on, inter alia, the role of IAIG and ways in which misconduct can be reported. In 2015, a total of 516 personnel were trained in fourteen workshops and trainings around the world.

85. In addition, IAIG continues to collaborate with other business units on other fraud prevention strategies. For instance, IAIG will be working with several business groups on developing a comprehensive fraud risk assessment regarding the new UNOPS enterprise resource planning system.

*Integrity, ethics and anti-fraud survey*

86. The organization is committed to deterring, detecting and preventing fraud and other misconduct in the performance of its mission and in the conduct of its operations. Therefore, in collaboration with the Ethics Office, IAIG issued its fourth annual confidential survey regarding integrity, ethics and anti-fraud. The survey was issued in three languages: English, French and Spanish. UNOPS is the only United Nations organization that conducts this type of survey, and has been recognized by the Board of Auditors as a good practice.

87. Twenty-eight per cent of UNOPS-supervised personnel participated in the survey, which is lower than the 2014 response rate of 40 per cent. This decrease may be attributed to the launch of other surveys in the same period. The survey provided valuable insight into areas of susceptibility to fraud, employees'

concerns, and the effectiveness of deterrence programmes and mechanisms for addressing issues. The results of the survey will be incorporated into the planning of future activities, such as training and other preventative measures.

88. IAIG will also revisit the legal framework for addressing non-compliance with United Nations standards of conduct, working with the Legal Practice Group to consider any changes or updates that could streamline the investigative process.

#### **F. Collaborating with others**

89. With the objective of enhancing its investigation function, IAIG collaborated with various UNOPS units, namely the Legal Group, the People and Change Group, the Ethics Office, and several regional and country offices. IAIG was able to resolve many issues raised through official and other channels without proceeding into investigation, due to inter-departmental cooperation and support from senior management. At the same time, IAIG advice continues to be sought by other groups, as reflected in its "for-information-only" caseload.

90. In 2015, IAIG undertook a number of measures to further enhance its capacity to undertake investigations and to exchange fraud intelligence with other investigative units. IAIG increased its efforts to collaborate with the investigation offices of other international organizations on cases of common interest. In addition, IAIG worked closely with the other United Nations organizations in the United Nations Representatives of Investigative Services to strengthen investigation practices and professionalism by providing a forum for development of policies and procedures. For example, IAIG worked with another United Nations organization to draft a framework on joint investigations.

91. This collaboration with other investigative bodies has been further strengthened through the signing of cooperation agreements with other organizations. These include agreements on the prevention, detection and investigation of fraud and corruption, signed with the European Anti-Fraud Office, the European Bank for Reconstruction and Development, and the United States Agency for International Development. Finally, IAIG joined the Law Enforcement and Government Partnership of the Association of Certified Fraud Examiners.

### **IX. Summary of follow-up of internal audit recommendations**

#### **A. Implementation of audit recommendations issued in 2015 and prior years**

92. In line with the International Professional Practices Framework for internal auditing, the IAIG annual workplan included follow-up and monitoring activities to ensure that management actions have been effectively implemented.<sup>6</sup> IAIG maintains an online tool designed to enable managers to report action taken on the status of implementation of audit recommendations, and it performs desk reviews on actions taken and information provided thereon.

93. Table 8 shows the outcome, as of 15 January 2016, for all audit recommendations issued between 2008 and 2015. Of the audit recommendations issued in or prior to 2012, 100 per cent were implemented, as were 98 per cent of those issued in 2013. The overall implementation rate of audit recommendations issued from 2008 (the year that IAIG started undertaking internal audits) to 2015 was 96 per cent, indicating high responsiveness on the part of management to implement the audit recommendations.

<sup>6</sup> Framework from Institute of Internal Auditors, Performance Standard 2500 – Monitoring progress.

**B. Recommendations unresolved for 18 months or more**

94. As a result of concerted and proactive efforts by management, the number of audit recommendations issued more than 18 months before 31 December 2015 (on or before 30 June 2014) that remained unresolved was four (2 per cent of the total 164 outstanding recommendations). It is also worth noting that all recommendations reported as outstanding for more than 18 months in last year's annual report have now been closed. Details are provided in annex 1.

Table 8. Status (as of 15 January 2016) of implementation of audit recommendations issued before 31 December 2015

| Number of audit recommendations | 2012  |            |               | 2013  |            |               | 2014  |            |               | 2015  |            |               | Total |
|---------------------------------|-------|------------|---------------|-------|------------|---------------|-------|------------|---------------|-------|------------|---------------|-------|
|                                 | Total | IAIG audit | Project audit | Total | IAIG audit | Project audit | Total | IAIG audit | Project audit | Total | IAIG audit | Project audit | Total |
| Implemented/closed              | 3,541 | 85         | 49            | 134   | 71         | 27            | 98    | 7          | 2             | 9     | 3,782      |               |       |
| as a percentage                 | 100   | 98         | 98            | 98    | 87         | 96            | 89    | 7          | 4             | 6     | 96         |               |       |
| Under implementation            | 0     | 2          | 1             | 3     | 11         | 1             | 12    | 94         | 55            | 149   | 164        |               |       |
| as a percentage                 | 0     | 2          | 2             | 2     | 13         | 4             | 11    | 93         | 96            | 94    | 4          |               |       |
| Total                           | 3,541 | 87         | 50            | 137   | 82         | 28            | 110   | 101        | 57            | 158   | 3,946      |               |       |

## **X. Operational issues**

### **A. Resources**

95. During 2015, the budgeted IAIG staffing included one director (D1 level), one senior internal auditor (P5 level), four internal auditors (one P4, one P3 and two international individual contractors), one audit assistant, three investigators (one P5, one P3 and one international individual contractor), one conflict resolution and integrity training specialist (P3), and one investigation assistant. In 2016, IAIG will add an international ICA in an investigative quality assurance function.

96. One P5 position was vacant for two months and one P4 position was vacant for four months during the year. All positions were encumbered as of the date of this report. The IAIG internal structure is supplemented by the engagement of third party professional firms and individual consultants. Further, IAIG continued to retain an editor for quality assurance of internal audit reports.

97. IAIG budgeted expenditure was \$2.62 million for the year 2015 and actual expenditure was \$2.55 million.

### **B. Involvement with professional bodies and other groups**

98. In 2015, the Director of IAIG was appointed Vice Chair of UN-RIAS. IAIG actively participated in the ninth annual meeting in Manila and in the regular conference calls of UN-RIAS. IAIG also participated in the 47<sup>th</sup> meeting of the broader group, the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions.

99. In 2015, IAIG became a Law Enforcement and Government Partnership member of the Association of Certified Fraud Examiners. UNOPS is the first United Nations organization to have this membership and to offer accreditation. Association of Certified Fraud Examiners membership will increase UNOPS standard of practice and recognition among other United Nations organizations.

100. In 2015, IAIG continued its formal relationship with the Institute of Internal Auditors, to whose International Professional Practices Framework it adheres and of which all IAIG auditors are members. Auditors also met their continuing professional education requirements and maintained their respective audit and accounting designations and memberships.

101. IAIG participated in the 16<sup>th</sup> Conference of International Investigators and in the third informal meeting of the heads of investigations of United Nations organizations.

### **C. Strengthening the audit function**

102. IAIG undergoes continuous improvement to its professional practices, internal policies and procedures to remain relevant and current.

103. In 2015, IAIG implemented the use of Wrike, an online work planning and resource allocation tool so that limited audit and investigations resources can be used more efficiently and effectively. IAIG also continued to update its working papers and TeamMate templates to improve its audit process efficiency.

### **D. Audit Advisory Committee**

104. During 2015, the Audit Advisory Committee continued to review the annual work plan, budget, regular progress reports and annual report of IAIG, and to provide advice for increasing the effectiveness of the internal audit and investigation functions.

105. The Audit Advisory Committee annual report for 2015 is in annex 3.